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TAGS: [EAID](#) [EFIN](#) [PREL](#) [KPAL](#) [IS](#)
SUBJECT: ISRAEL: PA'S NON-RESPONSE THROUGH BANKING DIALOGUE
WORRYING

REF: TEL AVIV 1719

Classified By: Economic Counselor David R. Burnett; reasons 1.4 b/d

¶1. (C) GOI officials have expressed concern over the lack of sustained engagement by the Palestinians through the bilateral banking dialogue (see reftel). The GOI is still waiting for information and responses to questions posed to the Palestinians before the last banking meeting, which was held over a month ago. Yaacov Peled, Head of the Institutional Evaluation Unit in Bank of Israel's Banking Supervision Division, said that he was given an Arabic version of a "Know Your Customer" questionnaire during the last meeting, but since then, the PMA has not provided any further information. Peled has attempted to follow-up via e-mail, and hopes that the Palestinians will provide the information soon so that the dialogue can continue. While he hopes to move forward, he views the Palestinian's response as the only next logical step. After receiving the information, Peled said that he will set up a follow-on meeting, to discuss the Palestinian's response as well as to answer any PA questions. Peled's concerns have also been echoed by Irit Ben Abba, Deputy Director General for Economic Affairs at the MFA, in a phonecall with EconCouns and by Paul Landes, Legal Counsel to the Israel Money Laundering and Terror Financing Prohibition Authority (IMPA) and Gil Avriel, a legal advisor to the National Security Council, in separate meetings with EconOff.

¶2. (C) Both Avriel and Peled stressed the importance of this dialogue, and noted that it had most likely set the stage for the developments with the Palestinian banks' surplus cash and the social security payments effort, not to mention the regular cash transfers to Gaza banks. Peled requested U.S. assistance in encouraging the PMA to provide its responses in a timely manner, and continue to meet with its Israeli counterparts. Avriel pointed out that much of the broader political dialogue on the peace process often fails to account for Gaza, but that the banking dialogue is one of the few venues which does, given the PMA's remaining presence there. He underscored the importance of having an alternative to Hamas institutions in the Gaza strip, and agreed that the banking dialogue and its resulting support of the PMA banks helped to do so.

¶3. (C) While not specifically referring to this month's PMA request for cash transfer to Gaza, Avriel mentioned that the GOI is considering re-evaluating approved transfer amounts in the coming months because of Ramadan and winter. Due to these factors, the GOI might be "more flexible" with transfers, since it does not want to see a humanitarian crisis. Avriel and Peled both noted that without continuation of the banking dialogue, this, as well as other initiatives, will most likely be stalled or curtailed.

¶4. (C) Comment: Our contacts have repeatedly stressed the importance of continuing this banking dialogue. For the technical experts across the GOI, it serves as a tool to sell

further bilateral cooperation with the Palestinians to the Israeli political leadership. This dialogue is intricately linked with recent steps forward, including the monthly cash transfers and solutions to the surplus cash and social security payment problems. Some of the more forward leading GOI officials are becoming disheartened with the lack of progress through this dialogue, which is forcing them to cede momentum to those less interested in substantive progress. Encouraging further bilateral cooperation through this dialogue will help set the backdrop for further development in the banking (and, ultimately, economic) engagement.

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